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State Dept. review completed

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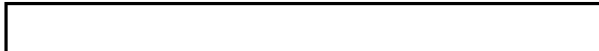
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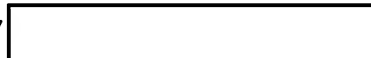


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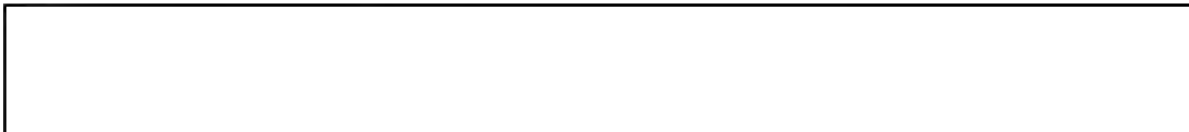
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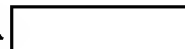


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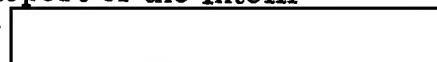
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8. POLITICAL CRISIS MAY BE IMMINENT IN BURMA



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ANNEX -- Conclusions of the Watch Report of the Intelligence Advisory Committee



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3. SITUATION IN INDONESIA

Comment on:

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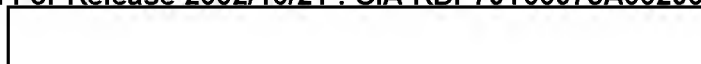
Tension remains high in North Sumatra, where Col. Simbolon, leader of the local revolt against the central government, has escaped into the interior. Army elements in North Sumatra appear to be evenly divided

between those supporting Simbolon and those backing Lt. Col. Ginting, the government's territorial commander who took over in a counter coup on 27 December. The Djakarta government has sent fighter and bomber aircraft to Medan, the North Sumatran capital, to bolster Ginting's efforts to stay in control.

Spokesmen for the Central Sumatran government, still under army control, repeatedly pointed out in a special broadcast of 27 December that it had no connection with events in North Sumatra. In South Sumatra the governor, with army support, has cut off revenues normally going to Djakarta, but has made no effort to join forces with disaffected elements in the other two Sumatran provinces.

Meanwhile, the government's success in splitting rebel elements in North Sumatra has increased the present prospect for survival of the Ali cabinet. President Sukarno, furthermore, is strongly supporting Ali, and the Nahdlatul Ulama, Indonesia's second largest Moslem party, has decided to stand with the National Party in an effort to keep the government in office. Should the Masjumi, the largest Moslem party, resign with its small-party allies, the government would still have a parliamentary majority and could perhaps remain in office.

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4. YUGOSLAV DEFENSE POLICIES FOR 1957

The Yugoslav defense policies as outlined in the speech of Defense Secretary Gosnjak and the defense budget approved by the Yugoslav parliament on 27 December indicate that the Tito regime does not expect hostile Soviet bloc action as a result of the Hungarian crisis and the ideological rift between Belgrade and Moscow.

Defense expenditures--\$529,000,000 at the official exchange rate--are to remain about the same as last year, and are now just short of 10 percent of the national income. A slight reduction in military personnel is under way, resulting in part from the pensioning of old officers as well as a cutback in length of service for certain draftees.

Gosnjak stated that the Yugoslavs were no longer counting on Western military aid and are still very intent upon building their own jet aircraft. The implied termination of future US military aid may be intended to forestall Soviet criticism if Belgrade decides to accept the remaining jet aircraft already scheduled under the existing US military aid program.

In the opinion of Ambassador Riddleberger, the equivocal attitude exhibited recently by Yugoslav officials toward continued military aid deliveries may arise from Belgrade's feeling that in return for a possible Soviet accommodation to Yugoslav views on the Hungarian problem, it must be prepared to make a gesture toward the USSR, which undoubtedly has been pressing for a loosening of military ties with the West.

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6. POLES TO ELIMINATE DUPLICATION IN PARTY AND GOVERNMENT FUNCTIONS

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the overlapping

of government and party functions will

be removed in Poland by cutting the party apparatus.

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the party is being reshaped as quickly as possible,

at least 100,000 persons will be

cut from the party bureaucracy.

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Comment

The Poles will probably abolish the central committee departments that are concerned with policy making in the functions handled by the ministries of the government. In addition they may severely cut back the control apparatus in regional and local party organizations. Such changes would result in a party-government relationship similar to that in Yugoslavia.

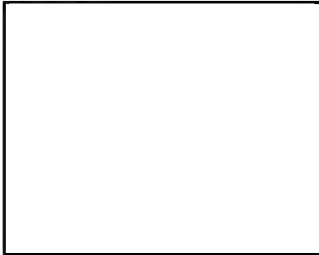
In addition to streamlining the party, which has about 1,200,000 members, Gomulka is eliminating dissident elements and strengthening his position by replacing them with people who are in sympathy with his ideas. The shake-up in the party has apparently resulted in at least a temporary weakening of discipline on the intermediate and lower levels.

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7. CHINESE COMMUNIST PARTY LEADERS DISCUSS TITO'S VIEWS

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The Chinese Communist Party's official newspaper has issued a summary of a "discussion" by party leaders on the questions raised by Tito in his speech at Pula on 11 November. Generally following Pravda's 23 November reply to Tito, this first comment by Peiping supports the Kremlin on the main points in the dispute, but observes that "some part" of the Yugoslav "criticism of brother parties is reasonable."

The summary reaffirms the Chinese Communist view that the "road to socialism"--for Peiping or any other Communist regime--necessitates essential fidelity to the Soviet model in constructing a new society, and a close alliance with the Soviet party and state. It thus rejects key features of Yugoslav domestic and foreign policies.

The statement supports previous indications that Peiping, regarding its own relationship with the Soviet Union as ideal, favors this type of relationship in Eastern Europe wherever practicable. The Chinese reiterate that the Soviet Union has been guilty of "great-nation chauvinism" in the past, that there are "many helpful lessons" to be learned from recent "setbacks" in the international Communist movement, and that certain mistakes have not yet been corrected.

Peiping's statement, like Soviet and other Chinese comment in recent weeks, emphasizes the need for bloc unity, under Soviet guidance, above other considerations at this time. The Chinese apparently see their own role as one of helping to keep quarrels in the family, while exercising a moderating influence on all parties.

This latest Chinese pronouncement should make clear to the Yugoslavs that there is no Titoist tendency

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in the Chinese Communist leadership, and to the Poles that the Chinese--while supporting Polish freedom within the bloc--do not approve all features of Gomulka's program. At the same time, the statement advises Moscow once more that the Chinese regard the Kremlin as fallible, and that Peiping is not fully content with Soviet policies in Eastern Europe.

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8. POLITICAL CRISIS MAY BE IMMINENT IN BURMA

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Prime Minister Ba Swe

joined other Socialist leaders in opposition to the return of U Nu to the prime ministership. His

Socialist colleagues consider Ba Swe's performance as prime minister acceptable and are said to fear the return to power of Nu.

There have been numerous recent reports that Nu planned to reassume the prime ministership early in 1957 and that Ba Swe, who allegedly finds the office somewhat burdensome, was disposed to defer to him. Ba Swe's apparent decision to throw his weight behind the strong anti-Nu faction led by Deputy Prime Minister U Kyaw Nyein virtually precludes the possibility of Nu's return to office under present political alignments in the ruling party, the Anti-Fascist People's Freedom League (AFPFL).

Nu himself is reported to have conceded loss of control of the league's executive committee, which meets on 29 December, when he learned of Ba Swe's decision to oppose him. He is said to be prepared, however, if rebuffed in his bid for the prime ministership, to bring down the government when parliament convenes in late February or early March. In such an effort Nu would probably muster considerable voting strength from representatives of the Communist-dominated National United Front, racial minorities, and the AFPFL itself.

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ANNEX

Watch Report 334, 28 December 1956
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee the
Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet Bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet Bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the Orbit in the immediate future.
- C. A deliberate initiation of hostilities in the Middle East is improbable in the immediate future.

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